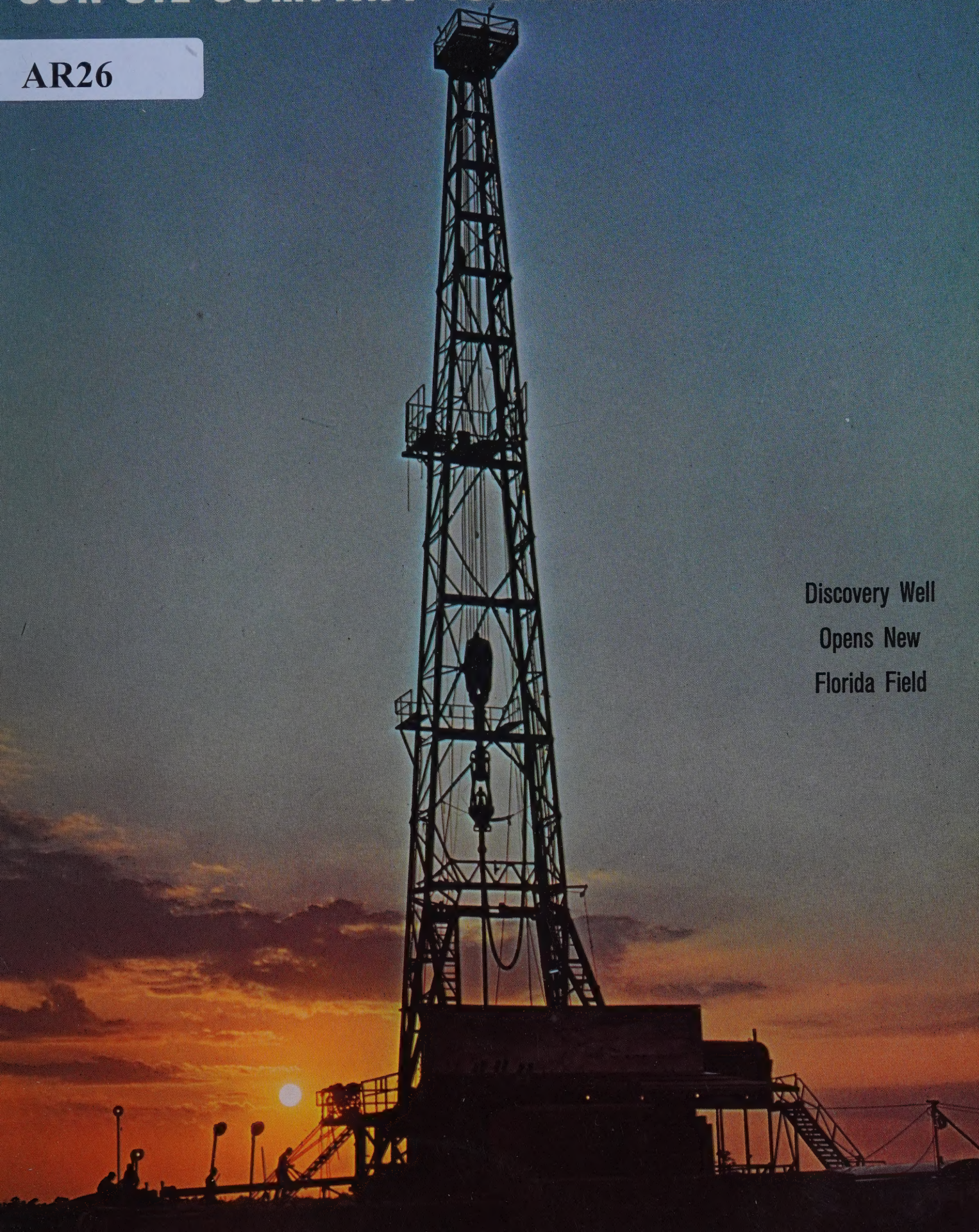
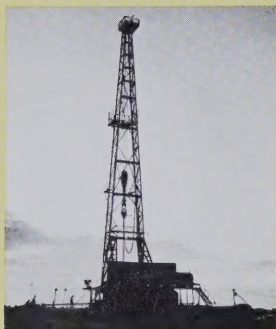


SUN OIL COMPANY 1964 ANNUAL REPORT

AR26

Discovery Well
Opens New
Florida Field





■ DRILLING OF SUN'S RED Cattle No. 2, featured on the cover of this Report, brought in Florida's second oil field in October. At year-end, the well was pumping over 300 barrels of oil daily from a depth of more than 11,000 feet. Since completion of this discovery well at Felda, 25 miles inland from Fort Myers, Sun has completed a second

producer and stepped up its drilling program. Named the Sunoco-Felda Field, the Felda find is Sun's first success in Florida after 30 years of searching. It is only the second for the industry, with the first oil in commercial quantities discovered in Florida in 1943. Today, with more than 115,000 acres under lease in the Felda area, Sun has high hopes for the future in Florida.

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February 15, 1965
Philadelphia, Pa.

To Stockholders and Employees: Despite lower prices, which reduced our realization on sales by more than \$10,000,000, our Company in 1964—

- Achieved the highest net income—\$68,507,000—in its history.
- Strengthened substantially its proved reserves of crude oil and natural gas on the North American Continent.
- Enhanced the value of its physical properties through capital expenditures totaling \$97,330,000, and intangible expenditures devoted to the search for additional reserves of oil and gas totaling \$32,067,000.
- Ended the busy year in excellent financial condition.

Weaknesses in prices, affecting not only gasoline but heating oil and other products, reduced the Company's revenue per barrel compared with the previous year. Still, the Company met increases in wages and employe benefits, added to the equity of the stockholders, provided better products to Sunoco customers, and paid sharply higher taxes imposed by governments. It was enabled to do so by better results in the producing fields, new plants and technical improvements in some of the older plants, and more efficient operations.

The performance of the Sun organization in serving its many responsibilities during 1964 can properly be regarded with satisfaction. In contending with rising elements of cost and heightened competition, both the strength and the adaptability of the Company were tested. It emerged not only with new records to post, but with improved capabilities for the future.

Effectively offsetting the adverse effects of continuing price deterioration represented a major test. In the judgment of your management, more than a watchfulness over costs was required—although such watchfulness was maintained and new peaks in operating efficiency were reached. Needed also was a strategy for further improving the profitability of the product mix, while at the same time attracting additional customers.

Progress toward these goals is reflected in the attainment of a new record in total sales volume,

The Year in Brief

SUN OIL COMPANY AND SUBSIDIARIES

Financial	1964	1963
Revenues	\$850,097,000	\$855,150,000
Net Income	68,507,000	61,216,000
Per Share	4.30	4.04

Operating (in barrels)

Net Production	81,399,000	76,756,000
Refinery Crude Runs	90,287,000	90,184,000
Sales of Products	99,772,000	96,744,000

even though efforts were concentrated on qualitative, rather than quantitative, gains. Sales of Blue Sunoco gasolines again paced the performance of the petroleum industry with an advance of nearly six per cent over 1963. Importantly, the bulk of the increase occurred in the higher-octane blends, confirming the capability of the Custom Blending system to adapt to shifting market requirements and flexible sales strategies. The rapid rise in the Company's requirement for high-octane components has made necessary the construction of expanded alkylation capacity at the Marcus Hook, Pa., and Toledo, Ohio, refineries.

Of over-all significance as a measure of the effectiveness of the courses pursued, the Company's return on revenues climbed from the 7.2 per cent recorded in 1963 to 8.1 per cent, the highest in over 15 years. The return on Stockholders' Equity exceeded nine per cent for the first time since 1957.

In other directions, looking more to the future than the immediate present, the search for oil abroad was materially expanded and research activities were intensified. A massive technical and engineering effort was concentrated on the project to develop the vast Athabasca oil sands deposit in northeastern Alberta Province through Great



Chairman J. Howard Pew, President Robert G. Dunlop

Canadian Oil Sands Limited. Construction at the Athabasca site commenced last autumn and is proceeding on schedule. Also vigorously carried forward was one of the most extensive programs of service station construction and modernization in Sun's history, with emphasis being given to the new Interstate highway system.

The expectation that 1964 would be a year of promise for Sun Oil Company, voiced in our annual report for the preceding year, was without question fulfilled. Your management is, however, disappointed that its hope for profitable operations on the part of Sun Shipbuilding & Dry Dock Company, and the emergence of a profitable position on the part of Avisun Corporation by the year-end, failed to materialize. Although the Shipyard's operating costs were sharply reduced, revenues fell almost as much as only one ship was delivered, compared with four the preceding year. Five ships are scheduled to be delivered in 1965, an outlook which should result in improved profit performance.

This new year promises to be one of continued progress for our Company, marked by further improvements in resources. The thrust of your management's effort will be to strengthen the Company's position qualitatively. This is a concept which we visualize to include the continuing development of the human resources of our organization, as well as strengthening its self-sufficiency in raw materials and technology. Additionally, we will seek to enhance the quality and reputation of the Company's products, and maximize its economic performance.

Our planned expenditures for modernization,

expansion and the search for additional reserves of oil and gas, totaling \$161,100,000 exclusive of the requirements of the Athabasca project, are predicated on the expectation of a favorable economic climate and the ability of our Company to generate all but a small portion of the required funds. Your management anticipates further progress toward a return to profit levels commensurate with the capital requirements of our business and the risks which are inherent in the petroleum industry. It is probable, however, that the increase in profits in 1965 will not equal the gain of nearly 12 per cent recorded in 1964 over 1963.

There is little reason to expect that profits will be assisted by higher prices. Our anticipation of further profit improvement rests upon another forward step in sales volume, combined with a still more advantageous product mix and continued improvements in internal efficiency. The investment credit provision of the 1962 Revenue Act, as revised, and the reduction in the tax rate on corporate income provided by the 1964 Revenue Act will be helpful. If coupled with a more rigorous control of federal spending, tax reduction would indeed be a boon to the entire nation.

We wish to express, on behalf of the entire Board of Directors, our deep regret and sense of great loss in the death of Arthur E. Pew, Jr., whose contributions over a span of more than 40 years were invaluable to Sun Oil Company.

We wish also to record our heartfelt appreciation to employees, stockholders, distributors and dealers whose partnership in our common cause made possible the commendable results set forth in this Annual Report for 1964.

J. Howard Pew
CHAIRMAN, BOARD OF DIRECTORS

Robert G. Dunlop
PRESIDENT

Profits Rose 11.9 Per Cent to New High Despite Revenue Dip

PROFITS OF SUN OIL COMPANY and subsidiaries increased in 1964 for the sixth consecutive year, rising to an all-time high of \$68,507,000. This total exceeded the previous high of \$61,216,000 earned in 1963 by 11.9 per cent.

On a per share basis, earnings were equal to \$4.30 on each of 15,928,126 full shares outstanding on December 31, 1964. In 1963, Sun had earned \$4.04 on each of a smaller number of shares, 15,164,483, outstanding at year-end.

These higher earnings were derived from revenues of \$850,097,000, slightly below the record \$855,150,000 reported in 1963. Sales and other operating income declined by less than one per cent to \$838,295,000, even though Sun Shipbuilding & Dry Dock Company delivered just one ship in 1964 compared with four in 1963. Other income rose modestly to \$11,802,000, reflecting increased dividend receipts.

Contributing to the profit gain were a record volume of product sales, a further upgrading of the product mix and continuing gains in efficiency throughout the Company. A substantial increase in gasoline sales, particularly of the higher-octane blends of Blue Sunoco, was offset in part by weak prices during the year.

The contribution of Sun's subsidiary companies as a group to consolidated earnings declined slightly. However, a number of the individual subsidiaries recorded improved profits. Among these were Sun Pipe Line Company, Sun Oil Company Limited and Sperry-Sun Well Surveying Company. On the other hand, profits of Venezuelan Sun Oil Company were slightly below the 1963 level despite record crude oil production, and Sun Ship sustained a small loss.

Operating costs declined by \$18,972,000 during the year to \$612,721,000, reflecting both the drop in ship deliveries by Sun Ship and the results of a Company-wide effort to control costs. The total includes wage and benefit payments to employees of a record \$184,328,000, up by 3.2 per cent from 1963. This gain was in part due to a wage increase granted to employees subject to the wage and hour provisions of the Fair Labor Standards Act.

Source and Application of Funds

(Millions of Dollars)

FUNDS WERE DERIVED FROM	1964	1963
Net Income.....	\$ 68.5	\$ 61.2
Recovery of Capital (Depreciation, Retirements, Intangibles).....	89.8	88.1
Working Capital and Other.....	13.6	—
Total Funds Available.....	<u>\$171.9</u>	<u>\$149.3</u>
FUNDS WERE USED FOR		
Capital Expenditures.....	\$ 97.3	\$ 64.5
Intangible Development Costs.....	32.1	25.9
Cash Dividends Paid.....	15.2	14.4
Repayment of Borrowed Money.....	1.2	10.7
Purchase of Treasury Stock.....	.9	9.2
Affiliates and Other Investments.....	25.2	8.7
Working Capital and Other.....	—	15.9
Total Funds Used.....	<u>\$171.9</u>	<u>\$149.3</u>

Properties, Plants and Equipment

(Millions of Dollars)

At December 31

	1964	1963
Gross Investment (at cost)		
Production.....	\$ 394.1	\$ 368.1
Manufacturing.....	325.3	322.4
Marketing.....	273.1	237.6
Transportation.....	128.8	128.1
Shipyard and Others.....	40.1	39.4
Total.....	<u>\$1,161.4</u>	<u>\$1,095.6</u>
Less Depreciation and Depletion.....	576.3	547.8
Net Investment.....	<u>\$ 585.1</u>	<u>\$ 547.8</u>

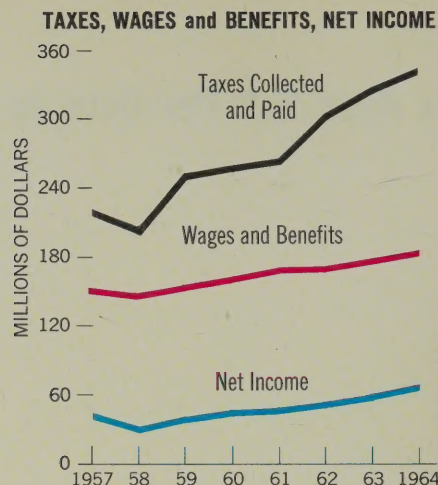
Charges against income for depreciation and related items dropped from \$62,194,000 in 1963 to \$57,705,000 in 1964. The decrease resulted from lower charges for the abandonment of non-producing properties.

Partially offsetting these declines in operating costs and depreciation charges were substantial increases in the Company's spending for drilling to develop new petroleum reserves and in direct taxes. An expansion of Sun's search for oil in North America and throughout the Free World boosted intangible drilling and development expenditures to \$32,067,000.

Rising taxes both in the U.S. and Venezuela pushed up total taxes by some \$5,100,000 to

Taxes, Wages, Profits Up. Gains in profits, wages and benefits were exceeded by rise in taxes collected and paid.

Divided Revenue Dollar. Sun earned a profit of 8.1 cents on each dollar of revenue. Employees received 21.7 cents.



**DISTRIBUTION OF
SUN'S 1964 REVENUE DOLLAR**

TOTAL REVENUES: \$850,097,000

50.4¢	Materials, Supplies and Services... \$429,147,000
21.7¢	Wages and Benefits.....184,328,000
3.8¢	Intangible Development Costs..... 32,067,000 (Drilling to develop reserves)
9.2¢	Direct Taxes..... 78,343,000
6.8¢	Depreciation, Depletion, Retirements. 57,705,000 (Wearing out of tools and facilities)
8.1¢	Net Income..... 68,507,000 (Cash dividends paid.....\$15,160,000) (Retained for investment..... 53,347,000)
100.0¢	<u>\$850,097,000</u>

\$78,343,000. Included is a provision of \$19,300,000 for U.S. and foreign income taxes, compared with \$18,760,000 in 1963.

Taxes paid by the Company coupled with those collected from its customers and employees have more than doubled during the past 10 years to a record total of \$344,054,000. As graphically shown above, this tax total far surpasses—by almost \$100,000,000—combined net income and wages and benefits in 1964.

Sun's profit margin advanced in 1964 for the third consecutive year, rising to 8.1 cents per revenue dollar from 7.2 cents in 1963. Approximately 1.8 cents of the 8.1 cents was paid out to shareholders in cash dividends, with the remainder retained for investment in the business (see bar chart at left for distribution of revenue dollar).

Quarterly cash dividend declarations of 25 cents per share resulted in total 1964 dividend payments of \$15,160,000. In addition, a five per cent stock dividend declaration resulted in the distribution to shareholders of 776,632 shares of stock. This compares with 878,166 shares distributed under the six per cent dividend in 1963.

Sun's favorable financial situation at year-end was underlined by the fact that total current assets were more than double current liabilities. Further, the Company's cash, U.S. Government and other obligations and payments due from customers were more than sufficient to cover both current liabilities and long-term debt.

Both accounts and notes receivable and inventories of crude oil and refined products rose again in 1964 in line with the Company's expanding volume of business. Receivables were up by \$10,228,000 to \$119,242,000. Continuing close control of inventories held the 1964 increase to approximately \$3,000,000, evenly divided between crude oil and refined products. An advance of some \$4,000,000 in work in process reflected the increased volume of ship construction work under way at year-end.

These increases were largely offset by a \$16,157,000 drop in U.S. Government and other obligations. This liquidation of securities was due

in part to new opportunities for effective use of additional cash in operations, and in part to payments Sun was required to make following settlement of a natural gas rate case in late 1964. Securities had been purchased for the latter purpose over the past several years.

Certain indebtedness of Avisun Corporation assumed in 1964 by Sun (and its partner, FMC Corporation) accounted for the major portion of the \$26,224,000 increase in Sun's holdings of securities of affiliated companies.

Reflecting the Company's higher level of operations, a rise in accounts payable and increased income tax and other tax obligations combined to boost current liabilities by \$13,806,000 to \$137,478,000. Long-term debt, all owed by subsidiary companies, was reduced to \$2,699,000 following scheduled payments due in 1964.

Expenditures for new plants and facilities of \$97,330,000 in 1964 were somewhat lower than anticipated, but substantially higher than comparable spending of \$64,540,000 in 1963.

Record capital spending of \$124,200,000 is planned during 1965 in the most ambitious expansion and modernization program ever undertaken by the Company. Also, some \$36,900,000 will be spent on intangible development activities in the search for petroleum reserves. In addition to this sum of \$161,100,000, a substantial investment will be made in the Athabasca oil sands processing facilities.

To insure availability of adequate funds for this combined program in 1965 as well as for future programs, a credit agreement was arranged with a group of banks late in the year whereby Sun has the option of borrowing up to \$100,000,000 if and when needed.

Over-all, the year 1964 was one of solid progress for Sun as earlier cost-reduction and modernization programs contributed to improved profitability. With 1965 projected as another good year for the petroleum industry and business generally, the Company's strong financial position and improved operating situation place it in a uniquely favorable position for further balanced growth.

SPECIAL REPORT

Athabasca Dedication. Alberta Premier Ernest C. Manning spoke at ceremony dedicating Athabasca plant site in July.



Athabasca Plant Construction Started

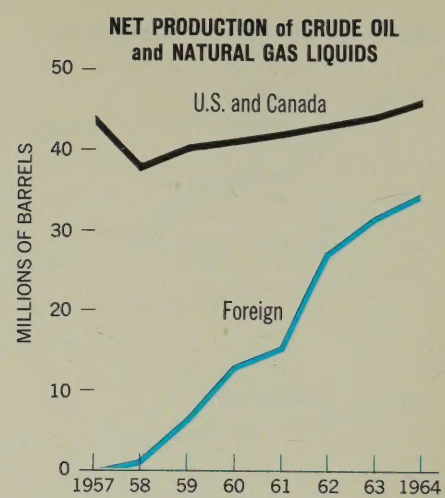
Construction of the Athabasca oil sands processing facilities of Great Canadian Oil Sands Limited was moving ahead steadily at year-end despite some of the coldest weather in the area's history. Foundations for a 30-story coking unit and a boiler plant were in place, a permanent warehouse built, supports erected for a bridge across the Athabasca River, and a number of auxiliary facilities completed.

At the same time, a Sun team at the nearby test plant site was continuing to obtain design data on the hot water process used to separate oil from the sand deposits.

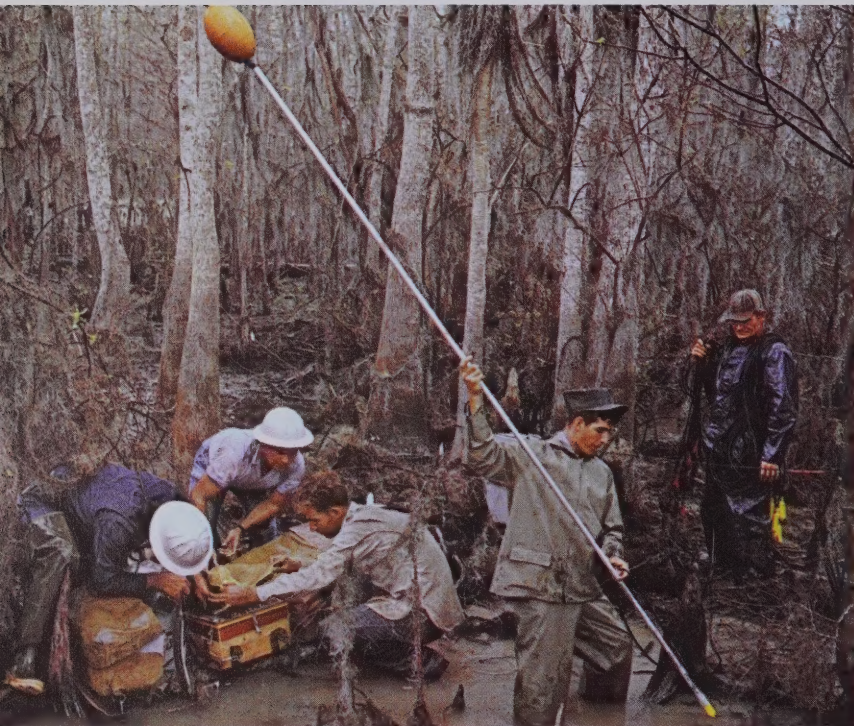
Scheduled for completion by September, 1967, the Great Canadian plant will recover 45,000 barrels daily of synthetic crude oil, plus sulfur as a by-product and coke for use as fuel, from sand mined from a lease in one of the richest sections of the Athabasca deposits. Sun Oil Company Limited, owner of a 75 per cent interest in the lease, plans to take the major share of this oil for processing in its Sarnia refinery.

Also carried forward during the year were engineering studies and other preliminary work for the 270-mile pipe line which will carry Athabasca oil to Edmonton for delivery into the Interprovincial Pipe Line.

During the next few years, the Company is committed to further investment of some \$55,000,000 in Great Canadian Oil Sands Limited, \$14,500,000 of which is planned for 1965. Sun will also assist in securing additional funds for the Athabasca project.



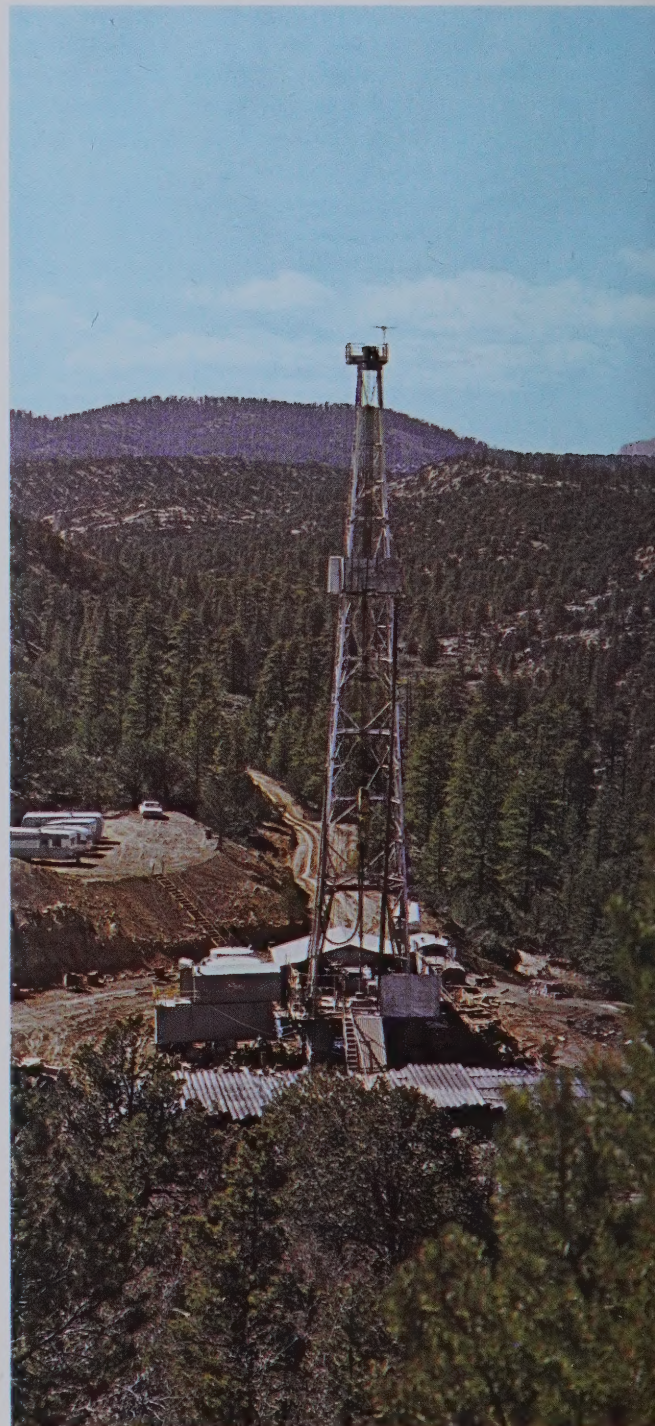
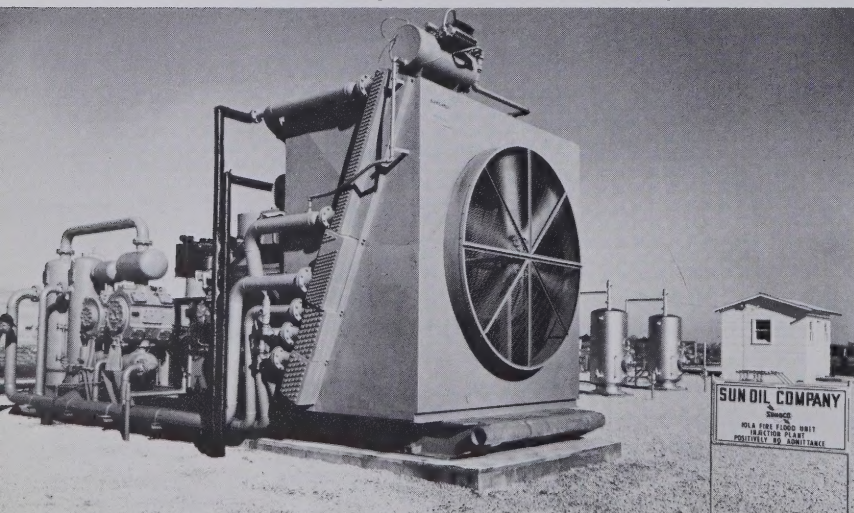
Production Peak. Both domestic and foreign production of oil advanced to all-time high levels during the year 1964.



Seismic Search. Crew seeks possible oil-bearing structures beneath swamplands along the coast of South Louisiana.

Oil in Utah. Upper Valley Field is significant discovery on big acreage block in rugged terrain of Garfield County.

Fire Flood. Moran Field, located in southeastern Kansas, is site for experiment on thermal recovery of viscous oil.



Gains in Oil and Gas Production, Reserves Highlighted 1964

SUN OIL COMPANY PRODUCED record volumes of both oil and gas in 1964 while continuing to push its search for reserves into new areas of the world and to stress development and use of new exploration and exploitation techniques.

Records were set in both domestic and foreign production, with output of both crude oil and processed natural gas liquids showing increases. Total production in the U.S. and Canada rose to 46,585,000 barrels, 3.8 per cent above the 1963 volume. Crude oil output in Venezuela increased by 9.3 per cent to 34,814,000 barrels.

The combined total of 81,399,000 barrels, marking 1964 as the sixth consecutive year in which production has increased, was more than double the amount produced six years ago.

Natural gas production rose by 4.7 per cent to a new high of 318,727,000 cubic feet.

Drilling was stepped up, with the Company either drilling or participating in a total of 578 wells in the U.S. and Canada, compared with 480 in 1963. Sun's net interest was 397 wells of which 159 were oil producers, 49 were gas producers and 189 were dry holes.

The search for oil and gas was extended into new areas around the world (see page 15) and was expanded on the North American continent. Domestic activities ranged from the discovery of new production in Florida to extensive exploration on the North Slope of Alaska, which led to acquisition of almost 300,000 acres by Sun and two other companies.

Sun's Florida discovery, the Sunoco-Felda Field, is the second oil field in that state's history and the industry's first in 20 years. It made Florida the 23rd state in which Sun produces oil and/or gas. A confirmation well was nearing completion by year-end, and a second drilling rig was moved into the area to speed up evaluation of the 115,000 acres Sun now has under lease.

Another significant discovery of oil was made on a 22,000-acre block in the Upper Valley area of Garfield County, Utah. Sun holds a one-half interest in this acreage.

Other discoveries of interest included Southeast

Fay and Squaw Creek, both gas condensate fields, in Blaine County of northwest Oklahoma; West Gillis oil field in Calcasieu Parish, South Louisiana; two oil fields, Iron Horse in Banner County and Parma in Kimball County, both in Nebraska; oil in Kleberg, Concho and Wilson counties and gas in Rusk County, all in Texas; and oil in the Handsworth area of Saskatchewan, Canada.

Other developments included increased activity in such eastern states as Ohio, New York, Pennsylvania and West Virginia; participation in a well, nearing completion at year-end, in the Black Butte area of northern California; and addition of Iowa as the 30th state in which Sun holds acreage.

Gains in domestic reserves of both oil and gas were recorded. Oil reserves were added half again as fast as they were produced, despite the increases in production. The gains were due to an expanded drilling program, improved recovery methods, unitization and purchase of proved reserves.

The Company acquired considerable acreage in Alberta and Saskatchewan in areas where deposits of heavy oil require special production techniques because of low gravity, and was granted oil shale permits covering 3,600,000 acres in Saskatchewan and Manitoba. Lease options were acquired in northwest Nevada for geothermal experiments involving drilling wells to produce steam, both for generation of electricity and for potential recovery of hard minerals.

A new offshore exploration department was set up early in the year to handle the search for oil and gas in the offshore areas of Production divisions in North America. Other developments designed to contribute to efficiency and cost control included organizational changes and careful control of drilling and completion techniques.

Natural gas operations continued to face frustration and harassment from federal regulation of producers. Reluctantly Sun settled its long-standing consolidated rate case, which dates back to 1955 and involves 95 sales contracts. Under the settlement, Sun was required to refund over \$5,000,000 to purchasers; must cut its future prices under these contracts by about \$1,500,000

Increased Efficiency Marked 1964 Transportation Operations

Towboat Pares Costs. The *M.V. Chesapeake Sun* delivered refined products by barge with substantial savings in costs.



per year; and must modify other pricing provisions originally in its gas sales contracts.

Sun, along with other gas producers, is involved in the extensive area rate cases through which the Federal Power Commission seeks to establish area prices. In the Permian Basin proceeding started four years ago, the examiner has issued his initial decision, but exceptions to the decision will be heard before the full Commission in the spring. The second area rate case, involving South Louisiana, is moving slowly within the Commission. Hearings for both the Hugoton-Anadarko and Texas Gulf Coast areas have been called for 1965. There are 19 additional areas for which hearings have not been called.

Rates were arbitrarily lowered by the Commission during 1964 for new sales of gas in Mississippi and in areas along the Texas Gulf Coast, in actions independent of the area hearings.

Adding to the flood of paper work resulting from federal gas regulation was the 10-pound questionnaire issued to 114 producers in 1963. Compiling the mass of data for this one questionnaire is requiring 8,000 man-hours of work, or about four man-years.

INCREASED EFFICIENCY in moving crude oil and products was attained by the Transportation Department in 1964 through purchase and lease of new equipment and through continuing modernization of existing facilities.

The *M. V. Chesapeake Sun*, a Mississippi River type towboat purchased in mid-year, delivered products by barge to terminals along the Delaware River, Chesapeake Bay and tributaries with substantial savings over previous movements by chartered equipment.

New, diesel-driven, deepwell cargo pumps installed on the decks of three coastal tankers cut down discharging time by 60 per cent, speeding up product deliveries. The new pumps will be installed on three more vessels in 1965.

The *S. S. Texas Sun*, *S. S. Pennsylvania Sun* and *S. S. Western Sun* delivered the major share of the Marcus Hook refinery's crude oil requirements in 1964, making other tankers available for chartering in the open market. A new bulbous bow installed on the *Texas Sun* increased her speed in ballast almost a full knot, enabling the ship to make an additional round trip to Texas each year.

Jumbo tank cars in service at year-end numbered 134 of 20,000-gallon capacity and 15 of 30,000-gallon capacity. Forty more jumbo cars will be leased in 1965 to provide better service and freight savings to Sun and its customers.

Railroads and for-hire motor carriers transported approximately 14,300,000 barrels of bulk and packaged petroleum products for Sun from Marcus Hook, Toledo, and Sun Station in Texas.

Early in 1964 Sun bought two Cessna-185 amphibious airplanes to replace two older models. Serving the Production Department in Southern Louisiana, they fly men and equipment from Morgan City to drilling barges in minutes. Overall, Sun's air fleet flew 1,086,000 air miles and 2,578,000 passenger miles, carrying 21,400 passengers on 13,600 flights.

An airstrip was placed in service adjacent to the Athabasca oil sands plant construction site in Alberta, Canada, and arrangements were made to have Pacific Western Airlines provide service.

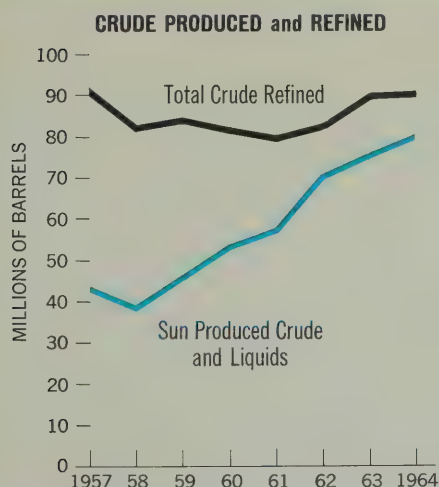
Refineries Operated at High Levels, Improved Product Quality

IMPROVEMENTS IN PRODUCT QUALITY, new gains in operating efficiency and good progress in controlling costs marked Sun's refining activities in 1964.

The refineries continued to operate at high levels during the year as sales increased. A total of 90,287,000 barrels of crude oil were processed at the Marcus Hook, Pa., and the Toledo, Ohio, refineries, and the Sarnia, Ontario, refinery of Sun Oil Company Limited. This was a slight increase over the amount of crude oil converted to refined products in 1963.

Several significant modernization steps were taken at Sun refineries during the year. Of primary importance, work began at Marcus Hook on a new \$5,000,000 alkylation unit that will be completed by mid-1965. This will enable the refinery to produce at less cost more and better alkylate for use as a high-octane component of Custom Blended gasolines.

Increased production of alkylate will be possible at Toledo also, with the completion of a substantial addition to facilities there. The addition, which will essentially double capacity, will include a new reactor and deisobutanizer and will cost about \$4,000,000. Construction is scheduled



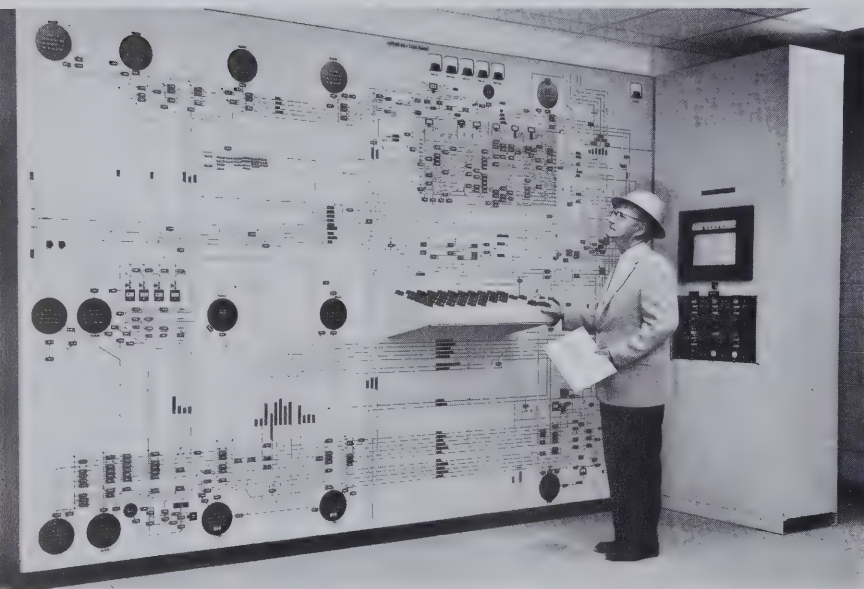
Crude Refined Up Slightly. Total oil produced moved closer to volume of oil refined, which increased only slightly.

Top Performer. Fluid catalytic cracking plant at Marcus Hook gave excellent performance during its first full year.



Sales Climb. Sharp gain in volume of gasoline sold was key factor in over-all sales increase of 3.1 per cent over 1963.

Nerve Center. New control center coordinates automatic blending, gauging and pumping of oil at Marcus Hook.



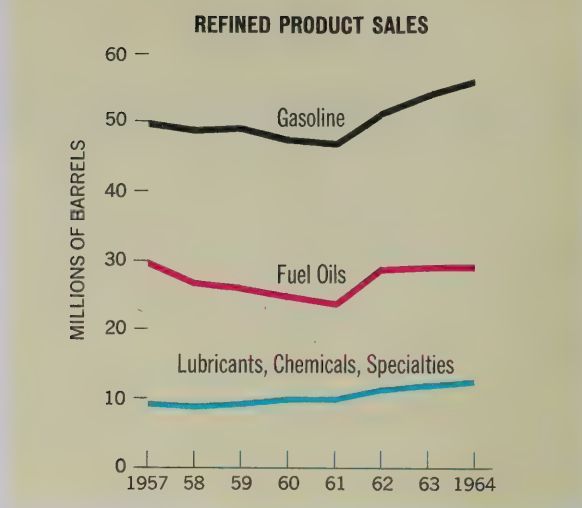
to start soon and plans call for completion by the end of 1965.

To increase further the octane rating of gasoline components, another reactor costing about \$500,000 will be added to Toledo's catalytic reformer this year. Construction is scheduled for completion in the month of June.

Improved quality of solvent-refined lubricating oils was achieved in 1964, giving them superior characteristics for automotive use. Even further improvement is now possible with the completion at Marcus Hook of a \$750,000 hydrotreater which also will permit greater economies in the production of lubricants.

Throughout the year special emphasis was placed on achieving both a new high in quality and increased production of various specialty oils, including new rubber oils and a transformer oil which meets very stringent specifications.

Greater efficiency in unloading tankers was attained with the completion of a 30-inch pipe line at Marcus Hook. Increased discharge rates made possible by the large-diameter line have resulted in considerable savings by shortening tanker turn-around time. Also, faster loading of gasoline on



barges and tankers was made possible by an increase in pumping capacity.

In its first full year of operation, the fluid catalytic cracking unit at Marcus Hook continued to exceed original expectations. A digital computer used for the collection of operating data helped unit operators to optimize product yields. Also, important information was obtained for evaluating the application and reliability of large computers for process control.

Increased gasoline production resulted from installation of two new propylene polymerization reactors at Marcus Hook and another at Toledo. The new reactors also enabled both refineries to meet more rigid specifications for liquefied petroleum gas.

Increased efficiency was made possible by the further utilization of advanced instrumentation at Sun refineries in 1964. At Marcus Hook, all pertinent information for receiving crude oil and dispatching products in two storage areas is graphically displayed at a new Oil Transfer Control Center. Incorporating remote valve and pump operation and the use of two-way radio for field communications, close control of all product movements is achieved. Automatic tank gauging equipment at Toledo also was supplemented with remote control equipment for the operation of valves and pumps in the tank storage area.

Savings resulted from the remote operation by instrumentation of a river water pumphouse which supplies more than one-half of the Marcus Hook refinery's total water needs.

Closer quality control of refined products was achieved with the greater use of stream analyzers at each refinery.

As part of an intensified campaign to insure the cleanliness of Blue Sunoco gasolines, new equipment was built at Marcus Hook and additional moisture indicators installed to monitor all gasoline shipments leaving the refinery.

Extensive engineering studies based on maintaining the competitive ability of Sun refineries to meet long-range marketing demands were carried forward throughout the year.

Custom Blended Gasolines Paced Advance in Product Sales

REFINED PRODUCT SALES rose to a record high of 99,772,000 barrels in 1964, up 3.1 per cent over the 1963 total.

Blue Sunoco gasoline sales increased by 5.9 per cent, marking the third successive year in which the rate of gain ran well ahead of the average for the petroleum industry.

An important stimulus to gasoline sales was a boost in the octane quality of each of the eight grades sold through Custom Blending pumps. Among new customers attracted to Sunoco stations were owners of cars equipped with engines requiring exceptionally high octane fuel. Blue Sunoco 260 is the highest-octane gasoline sold through service stations anywhere in the world.

A record capital investment of more than \$42,000,000 was made for new and improved marketing facilities. Largest outlays were for new stations at locations selected for their high volume and dealer profit potential. Ten more bulk plants were modernized with high-speed truck loading facilities, and older units of the truck fleet were replaced with larger, diesel-powered, aluminum tank trucks shown on the next page.

Development of stations at favorable locations along the growing federal Interstate highway system continued. At year-end 62 Sunoco stations were open along these roads and 36 more were under construction. Additional properties were purchased for future development.

Three new station designs were adopted in 1964 as Sunoco outlets continued to undergo evolutionary changes in appearance. From 12 basic types Sun now selects the design best suited to a specific location. Many of the new stations have three bays to enable dealers to handle an increasing amount of car maintenance and minor repair work. Increased use of Colonial and other special designs was made to conform with communities in which the stations are located.

New opportunities were found to cut unit costs in the product distribution system. Deepwater terminal facilities were purchased at Wilmington, N. C., to permit tanker shipments of gasoline and fuel oil to growing markets in that area. Pipe line deliveries of fuel oil to bulk plants at Hamtramck, Mich., and near Williamsport, Pa., were made possible by the purchase of storage capacity adjacent

Custom Service. Attractive new stations and emphasis on efficient customer services highlighted 1964 marketing activities.



Adhesives Advance. Continuing research on petroleum-based, hot-melt adhesives showed encouraging results. **New Trucks Added.** Diesel-powered, aluminum tank trucks carry larger pay load, reduce product transportation costs.

to the former and erection of storage at the latter plant. In each instance, higher cost truck deliveries were eliminated.

A number of new products were added to the wide range of specialty oils Sun supplies to industries in the U.S. and abroad. The rubber industry's development of a new polymer for the manufacture of synthetic rubber created a need for improved base oils stable in color and non-staining. A new line of Sunthene oils was established to meet this need. New industrial processes and changes in metallurgical technology were met with eight new grades of Sunicut cutting oils. New products for other applications included greases, transmission fluids, insecticide carriers and refrigeration oils.

A special course in advanced burner service procedures was conducted for wholesale distributors in connection with the continuing program to develop new outlets for Sunoco heating oils. During the year, 34 additional franchised distributors began handling Sunoco products. Many of these were in areas where Sunoco heating oil was not previously available.

Sales of tires, batteries and accessories by Sunoco dealers were up almost 19 per cent over 1963, reflecting growing emphasis on increased car maintenance work. Tire sales alone increased by more than 25 per cent.

Credit card business grew substantially. Reflecting special promotional efforts including the employe "Sell-A-Friend" campaign, the number of Sunoco credit card holders has risen to a level more than two and one-half times the 1961 total. New business machines were installed to speed up the processing of these accounts.

The Foreign Marketing Department was expanded to handle certain products which the Sun organization is having refined in Venezuela from Sun crude oil produced there. Initial shipments of light fuel oil were made to West Germany.

Substantial capital investments are planned in 1965 for stepped-up service station development and modernization, as well as for new bulk plant facilities and truck replacement.



Research Effort Stressed New Products, Oil Recovery Methods

EXPANDING RESEARCH PROGRAMS paid big dividends to Sun in 1964 in improving the quality of petroleum products, in harnessing electronic computers to a broadening range of operating problems and in advancing the Company's knowledge of new oil finding and recovery methods.

The number of unexpired U.S. patents held by Sun increased by four per cent to a record 1,129. In addition, at year-end the Company held 599 unexpired Canadian patents and 270 patents in other countries.

A new process for converting liquid petroleum into fuel gas was developed in 1964 in cooperation with Thermal Research and Engineering Corporation. The process holds promise of providing a low-cost means of producing gas for lighting and heating in areas where natural gas is not abundantly available, and for supplementing gas supplies in periods of peak demand.

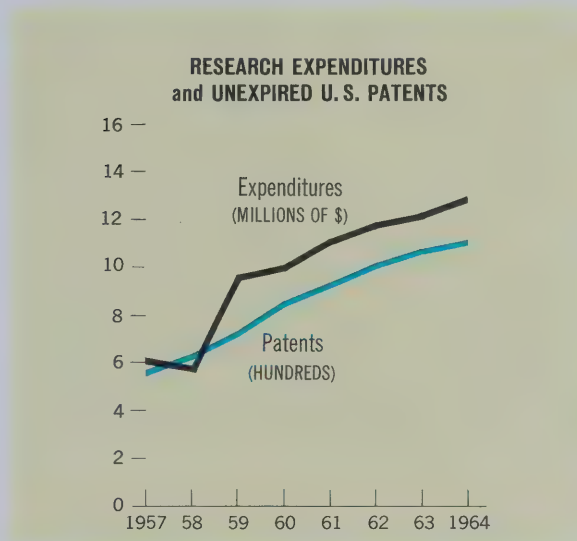
Research on product improvement was highlighted by laboratory and field tests designed to provide higher octane specifications for Custom Blended gasolines. A new formula extended the long life characteristics of Sunoco Custom Motor Oil, while revisions in a number of other products improved their performance qualities.

During the year, Sun continued to investigate the characteristics and production of hot-melt adhesives derived from various petroleum resins and polymers. Encouraging results were achieved in uses in the packaging field. Also, continuing research on industrial lubricants led to development of a new series of gear oils and an improved refrigeration oil.

Expansion of Sun's engineering capabilities resulted from an automated approach to industrial design and drafting perfected in 1964. The new system utilizes a computer to convert engineering specifications into detailed drawings, bills of material and requisitions for assembling refining equipment or estimates of installed cost.

Production research activities stressed expansion of service to the operating divisions, field tests of the thermal process for recovering crude oil from the ground and increased use of computers

Expanding Research. Sun's spending for broadened research programs advanced to record high of \$13,000,000.



in solving oil exploration and recovery problems.

Experimental work on the recovery of oil from the Athabasca sands, carried on jointly by Production Research and Research and Engineering, continued, as did research on a process for extracting oil from shale.

Other areas of research receiving attention during the year were geochemical prospecting, geological data processing and the application of computers to seismic data processing.

Training and development programs were increasingly emphasized by Production research groups. The successful 1963 carbonates seminar was followed up by three more seminars for geologists from all divisions. Also, seminars on geological data processing and engineering computer usage were held at the Richardson, Texas, laboratory, and a training program on computer applications was held in Calgary, Alberta, Canada.

Market researchers completed a study, based on observation of 300,000 motorists, which will enable Sun to select more effectively station locations on the Interstate highway system.

Economic research during the year was geared to assisting operating and corporate management in planning future investments and in selecting among operating alternatives.

Employees Played Key Role in 1964 Gains; Education, Training Programs Broadened

Executive Conference. Team of Sun managers attacks simulated corporate problem at management training session.

Orientation Session. New secretaries are briefed on Company policies, procedures as part of introduction to Sun.



SUN EMPLOYEES AND MANAGEMENT continued to work together cooperatively during 1964 in adjusting to new competitive pressures and in preparing to meet future challenges effectively. The year was marked by expansion of training activities, increased employee participation in educational programs, improvements in benefit plans and harmonious employee-management relations.

By participating in efforts to control costs and to improve performance, Sun men and women helped to achieve increased profits. Although gains in efficiency enabled the Company to avoid replacing some employees who retired or resigned, Oil Division employment rose slightly to 17,116. Wages and benefits totaled a record \$156,932,000.

A two per cent wage increase, effective August 1, was granted to employees covered by the wage and hour provisions of the Fair Labor Standards Act. Increased compensation for other employees continued to be based on individual performance.

Development of human resources was stressed in 1964 through a variety of training activities. These included orientation courses for new employees, training programs to upgrade the skills of present employees and management development activities geared to the specific needs of operating groups throughout the Company. A new approach to executive training was undertaken during the year when 26 managers were brought together at Ocean City, N.J., for an intensive three-week



study program centering on human factors, business environment and decision making.

A record 557 Sun men and women participated in the Educational Assistance Plan during the year, receiving \$74,151 for tuition and books. Employee participation in evening courses sponsored by the Company also increased substantially. Nine more National Merit scholarships were awarded to children of employees, bringing the total to 29. Also, financial aid or other assistance was provided to 35 colleges and universities.

Major improvements in benefit programs included liberalization of the paid vacation policy and a sharp boost in the maximum payment to employees for educational assistance. Under the new policy employees will continue to receive two weeks of vacation after one year of service. However, effective in 1965, they receive three weeks of vacation beginning in the fifth year, four weeks in the 10th year and five weeks in the 20th year. The maximum annual benefit payable for educational assistance was raised from \$400 to \$650.

Also, the Company increased its contribution to group hospitalization base plans, and approved a policy change providing that all employees with a break in employment will receive credit for prior service after one year of continuous service.

The 39th Stock Purchase Plan began on July 1 with 77.6 per cent of eligible employees participating. Under the 34th Plan, which matured June 30, 9,849 employees received 262,304 shares of stock valued at almost \$17,000,000.

Expansion of Medical Department services included establishment of new medical programs for employees of the Foreign Production Department office in Houston, Texas, and for workers at the Athabasca oil sands plant construction site. Recognition by medical authorities of the excellence of Sun's occupational health program came in the form of a Pennsylvania Medical Society state award and nomination for an Industrial Medical Society 1965 national award.

Continuing stress on safety education in 1964 was highlighted by a two-day, Company-wide Safety Seminar held in Philadelphia in April.

Subsidiaries, Affiliates Expanded Operations on Broad Front

EXPANDING OPERATIONS in fields ranging from foreign oil prospecting to petrochemical production marked the activities of Sun's subsidiary and affiliated companies again in 1964. Major developments during the year among these companies are summarized in the following reports.

Venezuelan Sun Oil Company, as operator of Blocks 1 and 12 in Lake Maracaibo, produced a record 34,814,000 barrels of crude oil for its own account. The Company also drilled nine more producing wells, handled a substantial amount of remedial work on nine others, and achieved Venezuela's first triple well completion.

During the year the Company began taking delivery of refined products under an agreement with another company for expansion of an existing refinery to process up to 25,000 barrels daily of Venezuelan Sun crude.

Pakistan Sun Oil Company, continuing to explore a 7,000-square-mile concession, was drilling its third wildcat at year-end.

New foreign production subsidiaries formed during the year were North Sea Sun Oil Company Ltd., Australian Sun Oil Company Ltd., Dubai Sun Oil Company and Iranian Sun Oil Company. These companies acquired interests with others in British waters of the North Sea, in the Carnarvon and Fitzroy basins of Western Australia, and on both land and offshore of the Sheikdom of Dubai on the Persian Gulf. Negotiations also were under way for a concession offshore of Iran.

Sun has participated in geophysical work in all of these areas, and in both land and offshore drilling in the Dubai location. Drilling in the North Sea is expected to begin in late 1965.

Sperry-Sun Well Surveying Company and its subsidiary, Sperry-Sun of Canada Limited, earned record profits in 1964 for the fourth straight year. Combined net income exceeded the 1963 total by more than 60 per cent.

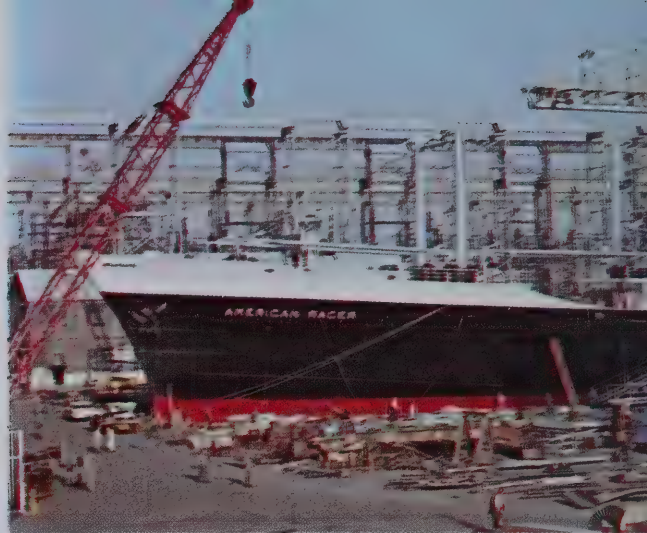
During the year Sperry-Sun began marketing the new self-contained Precision Subsurface Pressure Gauge developed by Sun's Richardson Laboratory as a tool for reservoir engineers. Other activities included development of computer pro-

In Australia. Geophysicists explore remote western basins.
First for Company. Sun crude oil is refined in Venezuela.
Canadian Refinery. Sarnia refining capacity was increased.



Cargo Carriers. These three fast, highly-automated cargo vessels were launched by Sun Ship for United States Lines.

Branching Out. Construction of hydrotest stand (left) typifies diversification program at shipyard in Chester, Pa.



grams for machine calculating of directional survey and subsurface pressure studies, and delivery of two ground elevation meters to the Australian government for rapid surveying of surface elevations.

Cordero Mining Company recorded moderate profits in 1964 despite the fact that mining problems and adverse weather conditions depressed production and prevented the Company from fully benefiting from rising mercury prices.

Weather also hampered prospecting, but at year-end exploration was under way near John Day, Ore., and Lovelock, Nev.

Sun Pipe Line Company transported larger volumes of both crude oil and products in 1964 while continuing to modernize its facilities.

Expansion of the Southwest Texas crude line system from Sun Field to Ingleside terminal enabled Sun Pipe Line to move an additional 1,250,000 barrels of oil through this facility. At Midland, Texas, new equipment was installed to segregate a special crude oil for delivery by pipe line and tanker to the Marcus Hook refinery.

Purchase of 17½ miles of product line from Detroit Southern Pipe Line Company made possible direct shipments from the Toledo refinery to Hamtramck, Mich., via Sun Pipe Line. An additional 4,000,000 barrels of product annually will be delivered through this line to a newly-expanded Sun terminal and another company's terminal in the Detroit area.

Sun Oil Company Limited improved its market position and recorded higher earnings during 1964 despite price weaknesses that were particularly apparent in the second half of the year.

Sharing in an increase of some 5 per cent in over-all Canadian demand for petroleum, the Company boosted sales by 7.3 per cent. Thirteen new service stations were built in the Provinces of Quebec and Ontario, and marketing operations were expanded northward. Heating oil sales continued to improve as two distributors were purchased and contracts were signed with others.

Capacity of the Sarnia refinery was expanded from 25,000 to 30,000 barrels daily in the latter part of the year through improvement of existing



facilities. Crude oil processed rose to a record 8,719,000 barrels.

Sun's European marketing subsidiaries—British Sun Oil Company Limited, Netherlands Sun Oil Company and Sun Oil Company (Belgium) S.A.—again recorded gains in sales of specialty oils. Sales of other products held their own in spite of the sharply competitive marketing situation arising from a steady growth in refining capacity on the Continent.

Sun Shipbuilding & Dry Dock Company completed a busy 1964 with 15 ships on order, the largest merchant-vessel construction backlog in any U.S. yard.

A \$61,000,000 contract signed in December calls for construction of five more cargo ships for United States Lines for delivery through 1967. During 1964, work continued on earlier contracts covering five vessels for United States Lines and six for Grace Lines. The *S.S. American Racer*, highly-automated cargo carrier delivered to United States Lines, won recognition as the first U.S. flag vessel built from the keel up with automatic control of the engine room from the bridge.

Other 1964 developments included a substantial gain in ship repair work and additional diversification designed to improve profits. Work continued on contracts for wind tunnels, holddown clamps for a test stand used with the Saturn V booster rocket, and other equipment.

Affiliated Companies

In addition to the subsidiary companies consolidated in this report, Sun owns a proprietary half-interest in the following four affiliated companies. At the end of 1964, Sun's financial interest in these companies totaled \$42,643,000. Their combined profits to date have amounted to \$11,955,000 from which Sun has received dividends of \$9,594,000.

Mid-Valley Pipeline Company expanded operations and increased its contribution to Sun's net income in 1964. Total deliveries of crude oil were 10 per cent above the 1963 level. Although no major construction was undertaken, modifications

of the system improved efficiency of operations.

SunOlin Chemical Company, owned equally by Sun and Olin Mathieson Chemical Corporation, recorded gains over 1963 in both sales and profits. Revenues rose by about 5 per cent, reflecting gains for ethylene oxide, ethylene and hydrogen.

Operating developments in 1964 included the start of tube-trailer truck shipments of carbon monoxide and ethylene from the Company's manufacturing facilities located at Claymont, Del., and beginning of construction of new facilities for production of ultra-high purity (99.99 per cent) hydrogen. Completion is scheduled for May, 1965.

Avisun Corporation, owned equally with FMC Corporation, continued to expand sales of polypropylene polymers and film throughout the year. Although the Company again operated at a loss in 1964, due largely to low prices resulting from overcapacity in the industry, progress was made in reducing this loss below that of earlier years. It is anticipated that continued improvement in sales and cost-reducing efficiencies will place the Company in a profitable position in 1965 if price stability can be achieved.

Sales of Olemer, introduced in 1963 as the first true propylene copolymer in the U.S., rose as the new product won wide use in molded parts for autos and appliances and in packaging film.

International sales increased substantially as the patent position on Avisun's process was further defined with favorable court decisions in Japan and The Netherlands.

During the year Avisun and Patchogue-Plymouth Corporation initiated a joint venture for development and manufacture of polypropylene carpet backings. Many major carpet producers are now using Polybac and Poly Double Bac, the new products of the joint venture.

Standard Naphthalene Products Company, owned equally by Sun and Standard Chlorine Chemical Company, was plagued in 1964 by abnormally depressed product prices. The year 1965 is expected to show an improvement in earnings because of an increase in major product prices and a reduction in operating costs.

(See Notes on page 24)

Sun Oil Company and Subsidiaries

Consolidated Statement of Financial Position

ASSETS	At December 31	
	1964	1963
CURRENT ASSETS:		
Cash	\$ 47,630,000	\$ 44,455,000
U.S. Government and Other Obligations	13,077,000	29,234,000
Accounts and Notes Receivable	119,242,000	109,014,000
Inventories:		
Crude Oil and Refined Products		
(principally on last-in, first-out basis)	75,718,000	72,668,000
Materials and Supplies, at cost or less	18,174,000	18,745,000
Work in Process, at cost	7,144,000	3,152,000
	<u>101,036,000</u>	<u>94,565,000</u>
Total Current Assets	280,985,000	277,268,000
LONG TERM RECEIVABLES AND INVESTMENTS:		
Notes Receivable from Sale of Properties	24,806,000	27,574,000
Securities of Affiliated Companies, at cost	51,580,000	25,356,000
Other Investments, at cost or less	4,881,000	5,939,000
	<u>81,267,000</u>	<u>58,869,000</u>
FIXED ASSETS:		
Properties, Plants and Equipment, at cost	1,161,371,000	1,095,571,000
Less Depreciation and Depletion	576,288,000	547,778,000
	<u>585,083,000</u>	<u>547,793,000</u>
PREPAID AND DEFERRED CHARGES	<u>5,932,000</u>	<u>4,122,000</u>
	<u>\$953,267,000</u>	<u>\$888,052,000</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts Payable and Accrued Liabilities	\$ 80,357,000	\$ 75,476,000
Notes and Bonds Payable	1,647,000	1,852,000
Taxes, other than Income Taxes	32,137,000	27,216,000
Income Taxes	23,337,000	19,128,000
Total Current Liabilities	<u>137,478,000</u>	<u>123,672,000</u>
LONG TERM DEBT:		
Notes and Bonds Payable by Subsidiary Companies	2,699,000	3,925,000
DEFERRED CREDITS	<u>28,879,000</u>	<u>29,862,000</u>
STOCKHOLDERS' EQUITY (as detailed on page 18)	<u>784,211,000</u>	<u>730,593,000</u>
	<u>\$953,267,000</u>	<u>\$888,052,000</u>

(See Notes on page 24)

Ten Year Financial and Operating Summary

	1964	1963	1962
Income	Revenues (Thousands of \$)		
	Sales and other Operating Income	838,295	844,142
	Other Income	11,802	11,008
	Total	850,097	855,150
	Net Income (Thousands of \$)	68,507	61,216
	Return on Revenues (%)	8.1	7.2
Common Stock	Full Shares Common Stock		
	Outstanding 12/31 (Thousands)	15,928	15,164
	Earned per Full Common Share (\$)	4.30	4.04
	Dividends Paid on Common Stock		
	Cash (Thousands of \$)	15,160	14,399
	Common Stock		
	Per Cent	5	6
	Number of Shares Distributed (Thousands)	777	878
	Number of Common Stockholders	30,363	29,908
Assets	Net Assets 12/31 (Thousands of \$)		
	United States	664,090	622,394
	Canadian Subsidiaries	72,467	60,910
	Other Foreign Subsidiaries	47,654	47,289
	Total	784,211	730,593
	Return on Average Net Assets (%)	9.0	8.6
Capital and Exploratory Expenditures	Capital Expenditures (Thousands of \$)		
	Production		
	Leases	20,087	11,975
	Wells and Equipment	22,507	16,846
	Total	42,594	28,821
	Manufacturing	9,755	6,172
	Marketing	42,030	27,760
	Transportation	2,216	1,097
	Shipyard and Others	735	690
	Total	97,330	64,540
	Intangible Development Costs (Thousands of \$)	32,067	25,874
	Expenditures for Exploration and Development of Production (Thousands of \$)		
	Capital Expenditures	32,715	25,217
	Intangible Development Costs	32,067	25,874
	Other Expenses Including Lease Rentals	30,003	26,846
	Total	94,785	77,937
Taxes	Taxes (Thousands of \$)		
	Paid or Accrued by Company	78,343	73,264
	Collected from Customers	241,102	226,212
	Collected from Employees	24,609	26,711
	Total	344,054	326,187
			64,785
			214,830
			25,369
			304,984

Sun Oil Company



1961	1960	1959	1958	1957	1956	1955
775,642	749,767	735,697	721,773	771,620	731,412	660,284
<u>6,651</u>	<u>5,659</u>	<u>10,568</u>	<u>2,259</u>	<u>7,099</u>	<u>2,411</u>	<u>3,464</u>
782,293	755,426	746,265	724,032	778,719	733,823	663,748
49,787	49,273	42,844	32,061	47,492	56,160	48,307
6.4	6.5	5.7	4.4	6.1	7.7	7.3
13,829	13,047	12,326	11,739	11,397	10,752	10,144
3.60	3.78	3.48	2.73	4.17	5.22	4.72
13,047	12,319	11,738	11,397	10,752	10,144	9,569
6	6	5	3	6	6	6
783	739	587	342	645	609	575
28,455	28,392	27,375	25,954	24,340	22,417	20,778
548,558	515,633	474,089	453,491	436,488	440,851	409,371
<u>50,458</u>	<u>50,215</u>	<u>50,162</u>	<u>47,867</u>	<u>46,123</u>	<u>40,021</u>	<u>36,747</u>
<u>55,543</u>	<u>51,971</u>	<u>57,453</u>	<u>49,240</u>	<u>47,324</u>	<u>12,323</u>	<u>1,060</u>
654,559	617,819	581,704	550,598	529,935	493,195	447,178
7.8	8.2	7.6	5.9	9.3	11.9	11.2
13,906	14,243	15,957	16,919	39,993	27,541	14,228
<u>20,395</u>	<u>22,009</u>	<u>29,120</u>	<u>17,884</u>	<u>19,728</u>	<u>19,127</u>	<u>16,620</u>
34,301	36,252	45,077	34,803	59,721	46,668	30,848
21,943	10,070	9,601	6,674	7,917	9,642	26,614
27,525	16,264	21,288	18,513	19,058	14,152	9,612
988	6,554	16,970	7,759	1,891	7,244	4,782
<u>5,075</u>	<u>3,965</u>	<u>1,028</u>	<u>2,933</u>	<u>4,272</u>	<u>270</u>	<u>777</u>
89,832	73,105	93,964	70,682	92,859	77,976	72,633
30,110	33,490	38,733	30,084	39,961	36,711	33,864
29,720	31,038	38,952	31,395	56,113	42,421	27,242
30,110	33,490	38,733	30,084	39,961	36,711	33,864
<u>28,220</u>	<u>29,732</u>	<u>30,215</u>	<u>32,695</u>	<u>28,428</u>	<u>27,789</u>	<u>25,272</u>
88,050	94,260	107,900	94,174	124,502	106,921	86,378
46,841	42,720	42,083	19,512	35,628	46,985	36,687
194,323	194,255	189,500	167,972	166,296	155,107	132,701
<u>25,065</u>	<u>23,372</u>	<u>21,970</u>	<u>20,618</u>	<u>21,363</u>	<u>19,437</u>	<u>17,036</u>
266,229	260,347	253,553	208,102	223,287	221,529	186,424

Ten Year Financial and Operating Summary

	1964	1963	1962
Employees	Average Number of Employees		
	Oil Division	17,116	17,025
	Shipbuilding and Repair	3,515	3,058
	Total	20,631	20,083
	Salaries, Wages and Benefits (Thousands of \$)		
	Oil Division	156,932	154,593
	Shipbuilding and Repair	27,396	24,092
	Total	184,328	178,685
	Stock Purchase Plan (Matured 6/30)		
	Number of Employees Participating in Liquidation	9,849	10,070
Exploration and Production	Shares of Sun Stock Distributed (Thousands)	262	212
	Net Production (Thousands of Bbls.)		
	Crude Oil and Condensate		
	U.S. and Canada	40,000	38,717
	Other Foreign	34,814	31,861
	Total	74,814	70,578
	Natural Gas Liquids from Gas Processed	6,585	6,178
	Total Crude and Liquids	81,399	76,756
	Natural Gas Delivered from Leases		
	(Millions of Cubic Ft.)	318,727	304,303
Refining	Net Wells Completed		
	Oil	163	146
	Gas	49	41
	Dry	189	160
	Total	401	347
	Net Producing Wells 12/31		
	Oil	4,573	4,412
	Gas	730	680
	Total	5,303	5,092
	Producing Acreage (Thousands)	415	380
Transportation	Undeveloped Acreage (Thousands)	18,641	9,859
	Total Crude Refined (Thousands of Bbls.)	90,287	90,184
	Crude Refined as a % of Rated Capacity	88.7	88.2
	Shipments through Sun Owned Pipe Lines		
	(Millions of Bbl. Miles)		
	Crude Oil	5,069	4,708
	Refined Products	7,797	7,486
	Total	12,866	12,194
	Sales of Refined Products (Thousands of Bbls.)		
	Gasoline	57,431	54,364
Marketing	Middle Distillates	20,757	20,594
	Residual Fuel Oils	8,554	9,242
	Lubricants, Chemicals, Specialties	13,030	12,544
	Total	99,772	96,744
	Retail Outlets Marketing		
	Branded Motor Products	10,572	10,391

Sun Oil Company



1961	1960	1959	1958	1957	1956	1955
17,021	17,292	17,375	17,610	18,481	18,409	17,913
3,392	3,079	2,625	2,842	2,952	2,397	2,026
<u>20,413</u>	<u>20,371</u>	<u>20,000</u>	<u>20,452</u>	<u>21,433</u>	<u>20,806</u>	<u>19,939</u>
145,839	140,725	138,586	130,864	134,392	126,955	116,212
25,663	22,253	18,014	18,261	19,106	15,236	10,654
<u>171,502</u>	<u>162,978</u>	<u>156,600</u>	<u>149,125</u>	<u>153,498</u>	<u>142,191</u>	<u>126,866</u>
10,167	10,092	9,827	9,493	9,155	8,572	8,094
163	157	161	180	150	130	144
36,775	36,563	36,341	34,409	40,140	40,578	38,015
15,605	13,241	6,440	1,419	—	—	—
<u>52,380</u>	<u>49,804</u>	<u>42,781</u>	<u>35,828</u>	<u>40,140</u>	<u>40,578</u>	<u>38,015</u>
5,902	5,073	4,453	4,203	4,135	4,159	4,098
<u>58,282</u>	<u>54,877</u>	<u>47,234</u>	<u>40,031</u>	<u>44,275</u>	<u>44,737</u>	<u>42,113</u>
275,338	273,694	239,194	204,437	196,080	191,623	179,749
174	199	198	186	229	340	299
58	52	79	55	64	55	43
123	119	160	120	130	148	168
<u>355</u>	<u>370</u>	<u>437</u>	<u>361</u>	<u>423</u>	<u>543</u>	<u>510</u>
4,435	4,492	4,441	4,432	4,442	4,553	4,577
594	572	541	426	402	475	460
<u>5,029</u>	<u>5,064</u>	<u>4,982</u>	<u>4,858</u>	<u>4,844</u>	<u>5,028</u>	<u>5,037</u>
371	355	338	298	295	275	236
<u>13,769</u>	<u>16,766</u>	<u>18,909</u>	<u>18,770</u>	<u>19,299</u>	<u>13,311</u>	<u>12,402</u>
80,511	82,456	84,810	82,946	91,859	95,068	87,137
80.8	82.8	86.1	84.2	93.2	101.2	98.6
4,712	4,911	4,530	4,757	4,906	4,973	4,757
7,075	7,052	7,033	6,604	7,183	6,734	6,201
<u>11,787</u>	<u>11,963</u>	<u>11,563</u>	<u>11,361</u>	<u>12,089</u>	<u>11,707</u>	<u>10,958</u>
47,220	47,949	49,342	49,131	50,020	50,735	48,525
17,381	17,811	18,577	18,801	20,993	20,766	19,266
6,678	7,430	7,797	8,346	9,300	10,898	8,933
10,464	10,365	9,884	9,187	9,687	9,078	8,431
<u>81,743</u>	<u>83,555</u>	<u>85,600</u>	<u>85,465</u>	<u>90,000</u>	<u>91,477</u>	<u>85,155</u>
9,939	9,516	9,317	9,097	9,039	9,052	8,697

Notes to Consolidated Statements

The statement of income includes provision for United States and foreign income taxes of \$19,300,000 for 1964 and \$18,760,000 for 1963.

Included in fixed assets are plant and equipment purchased from Sun Shipbuilding & Dry Dock Company at cost to Sun Oil Company, less depreciation. It has been the consistent policy of the Company to pay this subsidiary the same price for its work as is paid by outside companies for similar work.

Sun Oil Company is contingently liable for guarantees of loans payable by associated companies and others approximating \$39,000,000 at December 31, 1964. It is the opinion of the management that losses, if any, from such guarantees would not be significant.

Earnings employed in the business at December 31, 1964, include earnings of pipe line subsidiaries approximating \$10,000,000 which are not available for dividends.

Accountants' Report

BOARD OF DIRECTORS,
SUN OIL COMPANY,
PHILADELPHIA.

We have examined the consolidated financial statements of Sun Oil Company and subsidiaries for the year ended December 31, 1964. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We also made a similar examination of the financial statements for the year ended December 31, 1963.

In our opinion, the accompanying consolidated statement of financial position and consolidated statement of income and stockholders' equity (pages 18 and 19) present fairly the financial position of Sun Oil Company and subsidiaries at December 31, 1964 and 1963, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Lybrand, Ross Bros. & Montgomery
Certified Public Accountants

*Philadelphia, Penna.
February 12, 1965*

Directors and Officers

J. HOWARD PEW, Chairman, Board of Directors
ROBERT G. DUNLOP, Director and President
JNO. G. PEW, Director and Senior Vice-President
CLARENCE H. THAYER, Director and Senior Vice-President
WILBURN T. ASKEW, Director and Vice-President
CHARLES L. BOYLE,* Director and Vice-President
DARWIN W. FERGUSON,** Director and Vice-President
THOMAS S. HORROCKS, Director and Vice-President
CHALMER G. KIRKBRIDE, Director and Vice-President
KINGSLEY V. SCHROEDER, Director and Vice-President
JOSEPH T. WILSON, JR., Director and Secretary-Treasurer
DONALD P. JONES, Director and Comptroller
ELMER R. BRADLEY,* Director
SAMUEL B. ECKERT, Director
ARTHUR E. PEW, JR.,• Director
WALTER C. PEW, Director
JOHN P. LEECH, Assistant Secretary-Treasurer
WILLIAM S. WOODS, JR., Assistant Secretary-Treasurer
JOINER CARTWRIGHT,*** Assistant Secretary
JOHN H. McWILLIAMS, Assistant Secretary
JOSEPH R. LAYTON, Assistant Comptroller
FRANCIS A. LE CATES, Assistant Comptroller
CHARLES A. PFAHLER, Assistant Comptroller

*Elected Director May 19, 1964

**Elected Director and Vice-President May 19, 1964

***Retired January 1, 1965

•Deceased January 18, 1965

■ GENERAL OFFICES:

1608 Walnut Street
Philadelphia, Pennsylvania 19103

■ REGISTRARS:

Bankers Trust Company, New York and
Girard Trust Bank, Philadelphia

■ TRANSFER AGENTS:

The Chase Manhattan Bank, New York and
Fidelity-Philadelphia Trust Company, Philadelphia

■ ANNUAL MEETING:

Tuesday, April 20, 1965, 2:30 p.m., Sun Center,
Feltonville, Delaware County, Pennsylvania



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